

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2019-326-E

February __, 2021

In the Matter of:)	
)	
South Carolina Energy Freedom Act	)	DUKE ENERGY CAROLINAS,
(House Bill 3659) Proceeding to Address	)	LLC'S AND DUKE ENERGY
S.C. Code Ann. Section 58-27-460(A)(1)	)	PROGRESS, LLC'S PROPOSED
and S.C. Code Ann. Section 58-27-	)	ORDER APPROVING
460(A)(2) (Promulgation and Periodic	)	MODIFICATIONS TO SOUTH
Review of Standards for Interconnection	)	CAROLINA GENERATOR
and Parallel Operation of Generating	)	INTERCONNECTION
Facilities to an Electrical Utility's	)	PROCEDURES TO IMPLEMENT
Distribution and Transmission System)	)	QUEUE REFORM AND
	)	APPENDIX DUKE CS
)	

This matter comes before the Public Service Commission of South Carolina (the “Commission” or “PSC”) on the Application of Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP,” and, together with DEC, “Duke” or the “Companies”), pursuant to S.C. Code Ann. § 58-47-460, S.C. Code Ann. Regs. 103-823, Order No. 2020-660, and other applicable rules and regulations, for expedited review and approval of revisions to the South Carolina Generator Interconnection Procedures (“SC GIP”) (the “Application”) to enable a Cluster Study¹ process and to transition the Companies’ South Carolina generator interconnection study process to a Cluster Study process (“Queue Reform Proposal”).

¹ All capitalized terms not otherwise defined herein shall have the meaning assigned to them in the SC GIP and proposed Appendix Duke CS, filed as Attachment 2 to Duke’s Application.

I. PROCEDURAL BACKGROUND

The South Carolina Energy Freedom Act (“Act 62”) recognized the importance of the generator interconnection process to adding renewable energy to the grid and directed the Commission to review the State’s interconnection policies and procedures under S.C. Code Ann. § 58-27-460. To that end, on October 9, 2019, the Commission tasked the Commission Staff with opening the instant docket to address the directives in Section 58-27-460(A), as amended. On September 15, 2020, the Companies filed a joint request, together with Dominion Energy South Carolina, Inc. (“DESC”), South Carolina Solar Business Alliance, Inc. (“SCSBA”), and Southern Current, LLC, requesting the Commission address the directives from Section 58-47-460 in two phases of work. As proposed, the first phase would focus more narrowly on Commission approval of revisions to the SC GIP to allow the Companies to expeditiously address their queue reform initiative. The second phase would involve comprehensive revisions to the other portions of the SC GIP not implicated by Duke’s Queue Reform Proposal, after a series of stakeholder meetings intended to seek consensus on proposed reforms. Commission Order No. 2020-660, issued on October 1, 2020, granted the joint request to proceed with the docket in a two-phase approach.

Duke filed its Application requesting expedited Commission review and approval of the Queue Reform Proposal on November 17, 2020. Through the Application, DEC and DEP asked the Commission to:

- 1) Approve limited enabling revisions to the current SC GIP, filed with Duke’s Application as Attachment 1, to allow Utilities the option to implement an alternative Cluster Study interconnection study process;

- 2) Authorize Duke to transition the Companies' South Carolina generator interconnection study process to a Definitive Interconnection Study Process, consistent with the process recently authorized by the North Carolina Utilities Commission ("NCUC").
- 3) Approve a new Duke-specific Appendix to the SC GIP ("Appendix Duke CS"), filed with Duke's Application as Attachment 2, pursuant to which the Companies will administer the Definitive Interconnection Study Process; and
- 4) Terminate the Memorandum of Understanding between Duke, the South Carolina Office of Regulatory Staff ("ORS") and SCSBA approved by Order No. 2016-191 relating to the Companies' administration of the pre-existing SC GIP study process.

The Application details the significant time and effort invested by the Companies to engage with the SCSBA and other interested stakeholders in both South Carolina and North Carolina through 13 stakeholder meetings over the course of nearly two years to develop the Queue Reform Proposal. According to the Companies' Application, the Companies began informally engaging with stakeholders and held a queue reform kickoff meeting on March 18, 2019. The Companies formalized the North Carolina-South Carolina stakeholder process in June 2019 after the NCUC determined in its most recent review of the North Carolina Interconnection Procedures ("NC Procedures") that the "current serial study process is unsustainable for the [Companies] based upon current and growing volumes of utility scale Interconnection Requests" and directed a formal queue reform stakeholder process be initiated.²

After over a year of stakeholder meetings, the Companies filed their Queue Reform Proposal with the NCUC on May 15, 2020. After filing the Queue Reform Proposal, the Companies and stakeholders continued to engage in an effort to resolve outstanding issues.

² *Order Approving Revised Interconnection Standard and Requiring Testimony and Reports*, at 60, N.C.U.C. Docket No. E-100, Sub 101 (June 14, 2019).

On August 31, 2020, the Companies filed an updated Queue Reform Proposal with the NCUC that reflected nearly complete consensus with stakeholders, which the NCUC approved by order issued on October 15, 2020.³

The Companies held the final stakeholder meeting on October 30, 2020, to receive pre-filing input on the proposed Queue Reform Proposal in South Carolina. Duke incorporated stakeholder feedback received during the meeting and did not receive any subsequent input from stakeholders despite an invitation to provide written comments. Thus, the Companies represent that the proposal contained in their Application represents a consensus between Duke and SCSBA, and that no other stakeholder objects to the proposal.

SCSBA confirmed its agreement on January 20, 2021, when it filed comments with the Commission stating its support for the limited revisions to the SC GIP proposed in Duke's Application. In SCSBA's view, the proposed changes will "expedite the study of new generation projects, allow the sharing of costs for improvements to Duke's system among Interconnection Customers that will most directly benefit from those upgrades, and ultimately streamline the development of new renewable generation in Duke's South Carolina service territory."⁴ DESC likewise filed comments indicating support for Duke's proposed modifications to the SC GIP, noting that the changes will provide utilities with the flexibility to study interconnection requests under either the existing serial study process or a Commission-approved Cluster Study process.⁵

³ *Order Approving Queue Reform*, N.C.U.C. Docket. No. E-100, Sub 101 (October 15, 2020).

⁴ SCSBA Comments (filed January 20, 2021).

⁵ DESC Comments (Nov. 17, 2020) (caveating that "DESC anticipates filing a proposal for a DESC-specific Cluster-Study process at a later date[.]").

On January 22, 2021, the Companies filed a letter with the Commission noting the support of SCSBA and that no other party had filed comments or otherwise objected to the Queue Reform Proposal in the more than sixty (60) days since Duke filed its Application. Accordingly, Duke respectfully requested the Commission to approve the Companies' Application no later than February 10, 2021. On January 27, 2021, the Hearing Officer entered Order No. 2021-9-H directing parties to file comments and/or proposed orders no later than February 5, 2021, and announcing that the Commission would consider the Application at its business meeting on February 10, 2021.

Given the significant amount of stakeholder collaboration that has resulted in this consensus approach to queue reform for Duke's Interconnection Customers in the Carolinas and the fact that there are no known issues remaining in dispute pertaining to the Queue Reform Proposal, the Commission finds that it is appropriate to issue a decision on Duke's Queue Reform Proposal based on the filings by the parties, in lieu of an evidentiary hearing. In support of this position, the Commission further notes that regulatory approvals are also required from the Federal Energy Regulatory Commission ("FERC") in order to implement the Queue Reform Proposal, and such filings at the FERC are dependent upon the approval of the Queue Reform Proposal by this Commission. Moreover, the Commission understands that efficient development of additional renewable energy in the Carolinas is largely dependent upon solving the regulatory challenges which the Queue Reform Proposal is designed to address.

II. STATUTORY STANDARDS AND REQUIRED FINDINGS

Act 62 requires the Commission to:

[P]romulgate and periodically review standards for interconnection and parallel operation of generating facilities to an electrical utility's distribution and transmission system, where such interconnection is under the jurisdiction of the commission pursuant to Title 16, Chapter 12, Subchapter II of the United States Code, as amended, regulations and order of the Federal Energy Regulatory Commission, and the laws of South Carolina.⁶

In reviewing the interconnection procedures, the Commission may consider “any issue, which, in the exercise of its discretion, the commission deems relevant to improving the fairness and effectiveness of the procedures.”⁷ The Commission must ensure that the standards are “fair, reasonable, and nondiscriminatory with respect to interconnection applicants, other utility customers, and electrical utilities” and “serve the public interest in terms of overall cost and system reliability.”⁸

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Companies are responsible for safely and reliably interconnecting new generating facilities to the Companies' distribution and transmission systems. The Commission has adopted the SC GIP to regulate the Companies' process for studying Interconnection Requests submitted by South Carolina Interconnection Customers subject to the Commission's jurisdiction, including qualifying facilities (“QFs”) under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). Under the SC GIP, such projects have traditionally been processed and studied on a “first come, first served” basis in a “serial queue” based upon the timing of their submission of an Interconnection Request. The Companies similarly administer generator interconnection queueing and processing under

⁶ S.C. Code Ann. § 58-27-460(A)(1).

⁷ *Id.* § 58-27-460(A)(2).

⁸ *Id.* § 58-27-460(A)(3).

interconnection procedures adopted by the FERC and the NCUC, which have also traditionally used a serial queueing and study process.

The Application demonstrates that Duke has achieved success interconnecting significant amounts of utility-scale solar to the Companies' systems. However, the Companies' Application also demonstrates that reform is needed to address the growing challenges and complexities facing Duke's generator interconnection process in the Carolinas. As Duke acknowledges, the Companies' existing serial queueing and study process is no longer capable of managing the significant number of new Interconnection Customers requesting to connect to the Duke systems, particularly in light of the increasing need to make substantial upgrades to the Companies' distribution and transmission systems to interconnect new generation. Moreover, under the current serial queueing process, 100% of the upgrade costs are assigned to the earliest-queued projects, even though later-queued projects may also benefit from those same upgrades. For many Interconnection Customers, bearing the entire cost of these significant upgrades can render new generation projects infeasible, causing projects to either pursue delays or withdraw from the queue altogether.

The Companies' Queue Reform Proposal to transition DEC's and DEP's Section 4 study process to a Cluster Study process is set forth in the proposed Appendix Duke CS to the SC GIP. The Cluster Study approach allows "ready" projects to be clustered and studied together and then allocates the costs to interconnect among all Interconnection Customers in the cluster based upon their relative impact to the grid. The Companies' Queue Reform Proposal builds on Cluster Study frameworks developed and implemented by other utilities across the country and is designed to provide significant flexibility to Interconnection Customers early in the study process while also reducing risk and

increasing business certainty as Interconnection Customers progress towards an Interconnection Agreement. To that end, Duke's Queue Reform Proposal offers an optional Informational Interconnection Study, which will allow prospective Interconnection Customers to make more informed business decisions about the feasibility of a proposed Interconnection Request. In addition, once an Interconnection Request is submitted and a project enters the Definitive Interconnection Study Process, Duke has committed to a robust customer engagement process to provide Interconnection Customers with detailed information regarding the timing and cost of the proposed interconnection.

The Definitive Interconnection Study Process is also designed to reduce speculative projects entering the queue by requiring Interconnection Customers to demonstrate project "readiness"—*i.e.*, the right to sell power from the facility via a binding contract—or to provide increased financial security if the project cannot demonstrate readiness or risk a Withdrawal Penalty if the project fails to achieve commercial operation. In this way, the Definitive Interconnection Study Process will provide greater certainty to developers that are ready to interconnect by incentivizing Interconnection Customers to submit only commercially viable "ready projects" into the Definitive Interconnection Study Process, so that all Interconnection Customers can proceed through the interconnection process with fewer delays and disruptions.

In sum, Duke's proposed Definitive Interconnection Study Process, by promoting transparency and incentivizing "ready" projects, will reduce the number of speculative utility-scale projects entering the queue and will enable the Companies to more timely, fairly and efficiently process new Interconnection Requests. SCSBA's comments support the transition of Duke's interconnection study process to the proposed Definitive

Interconnection Study Process Cluster Study approach. Based on Duke's Application, the comments filed by SCSBA and DESC, and the entire record of this proceeding, the Commission finds that the Companies' Queue Reform Proposal provides necessary reforms to the SC GIP for Duke's Interconnection Customers and is consistent with Act 62's requirements for the Commission to ensure that the generator interconnection process is efficient, reasonable, and non-discriminatory for all Interconnection Customers.⁹

Finally, the Commission recognizes that the Companies operate integrated transmission systems and, in some areas, distribution systems that extend across state lines throughout the Companies' service territories in both South Carolina and North Carolina. Moreover, many Interconnection Customers interconnecting to the Companies' transmission systems are subject to FERC-approved generator interconnection procedures under the Companies' Open Access Transmission Tariff ("OATT"). Accordingly, the Commission acknowledges that the integrated nature of the Companies' systems and overlapping system impacts of new Interconnection Customers throughout the Carolinas further supports coordinated and complementary regulatory approvals of Queue Reform by this Commission, the NCUC and FERC.

Based on the Commission's review of the information provided in Duke's Application, the significant pre-filing stakeholder efforts undertaken, the consensus achieved and confirmed through the comments of SCSBA and DESC, the fact that no other party has otherwise objected to the Queue Reform Proposal, the Commission approves the Companies' Queue Reform Proposal as addressed herein.

⁹ See S.C. Code Ann. § 58-27-460(A)(3).

IT IS THEREFORE, ORDERED THAT:

- 1) The Companies' Queue Reform Proposal is hereby approved consistent with this Order. In particular:
 - a. The Commission approves the enabling revisions to the current SC GIP, presented as Attachment 1 to Duke's Application, to allow the Utilities subject to the SC GIP the option to implement an alternative Cluster Study interconnection study process;
 - b. The Commission authorizes Duke to transition the Companies' South Carolina generator interconnection study process to a Definitive Interconnection Study Process, by providing written notice to the Commission upon obtaining necessary complementary approvals from FERC;
 - c. The Commission approves the new Appendix Duke CS, presented as Attachment 2 to Duke's Application, pursuant to which the Companies will administer the Definitive Interconnection Study Process; and
 - d. The Commission approves Duke's request to terminate the Memorandum of Understanding between Duke, the ORS, and SCSBA, approved by Order No. 2016-191, relating to the Companies' administration of the pre-existing SC GIP study process, which shall now be subject to the terms and conditions of Appendix Duke CS.
- 2) Duke shall keep this Commission informed of its progress in securing approval of its queue reform proposal from FERC and any required adjustments to its proposed transition schedule.

BY ORDER OF THE COMMISSION:

Justin T. Williams, Chairman